

ILLINOIS COMMERCE COMMISSION

Nicor Gas Ex. 1.0

1 **Q. Please state your name and business address.**

2 A. My name is Patrick McQueeny. My business address is 1844 Ferry Road, Naperville,
3 Illinois 60563.

4 **Q. By whom are you employed and what is your title?**

5 A. I am employed by Northern Illinois Gas Company d/b/a Nicor Gas Company (“Nicor
6 Gas”) as Assistant Treasurer.

7 **Q. Please summarize your educational and professional background.**

8 A. I graduated from University of Illinois at Urbana-Champaign with a Bachelor of Science
9 Degree in Finance, and later from the Kellogg Graduate School of Management with a
10 Master of Management Degree. I have been employed by Nicor Gas since 2002. Prior to
11 coming to work for Nicor Gas, I worked in treasury and finance positions for other
12 companies.

13 As Assistant Treasurer for Nicor Gas, I am responsible, among other things, for
14 managing the cash, short-term investing and short-term borrowing activities for Nicor
15 Gas. Prior to becoming Assistant Treasurer in 2007, I was Senior Manager, Treasury and
16 Credit.

17 **Q. In the course of your employment, do you keep informed as to the credit options**
18 **available to Nicor Gas and the terms and conditions upon which such credit options**
19 **would be extended to Nicor Gas?**

20 A. Yes.

21 **Q. Are you familiar with the Verified Petition that has been filed in this matter?**

22 A. Yes, I am.

23 **Q. Would you please describe the nature and general purpose of the Verified Petition**
24 **that was filed in this proceeding?**

25 A. Yes. The Verified Petition seeks Illinois Commerce Commission (“Commission”)
26 consent for Nicor Gas to enter into a credit agreement to which an affiliated interest is a
27 party.

28 **Q. Would you please summarize the subject credit agreement?**

29 A. Yes. In October 2007, Nicor Gas intends to enter into a revolving credit agreement
30 (“Credit Agreement”) with a number of financial institutions (collectively, the “Banks”).
31 The terms and conditions of the Credit Agreement will be similar to the terms and
32 conditions of the seasonal credit agreements that Nicor Gas has entered into in previous
33 years.

34 Pursuant to such an agreement, borrowings by Nicor Gas may, but are not required to, be
35 made throughout the term of the agreement up to the total amount permitted under the
36 agreement. When borrowings made under the agreement are repaid by Nicor Gas, the
37 amount repaid may again be borrowed, so long as the outstanding aggregate principal
38 amount of borrowings made is no more than the total amount permitted, here up to
39 \$400,000,000 under the Credit Agreement.

40 Under the Credit Agreement, Nicor Gas will have the option to choose from two types of
41 borrowings – “Eurodollar Loans” or a “Base Rate Loans”. If Nicor Gas selects a
42 Eurodollar Loan, Nicor Gas will pay a rate per annum equal to the sum of the London
43 interbank offered rate (*i.e.*, “LIBOR”) for each applicable Interest Period plus the
44 Eurodollar Margin. The Eurodollar Margin will be set at market rates at the time of
45 Closing of the Credit Agreement based on Nicor Gas’ long-term senior unsecured debt

46 ratings and its issuer ratings. The Eurodollar Margin will be based on current market
47 conditions. If Nicor Gas selects a Base Rate Loan, Nicor Gas will pay a fluctuating
48 interest rate per annum equal to the greater of (i) the prime rate announced by JPMorgan
49 Chase Bank, N.A. (“JPMorgan”) or (ii) the Federal Funds Rate plus 50 basis points. In
50 addition, Nicor Gas will pay a “utilization fee” on the amount of borrowing outstanding
51 for any day on which its total borrowings exceed \$200,000,000. The utilization fee will
52 be set at a market rate at the time of closing of the Credit Agreement. The utilization fee
53 will be based on current market conditions.

54 **Q. Is Nicor Gas required to make any payments in addition to the principal and**
55 **interest payments and the utilization fee that must be made when funds are**
56 **borrowed under the Credit Agreement?**

57 A. Yes. Throughout the term of the Credit Agreement, Nicor Gas will pay “facility fees.”
58 The facility fees will be payable on each Bank’s commitment amount, irrespective of
59 actual borrowings under the Credit Agreement, quarterly in arrears, and on the
60 termination date of the Credit Agreement. The facility fees to be incurred by Nicor Gas
61 under the Credit Agreement will be set at market rates as of the closing date of the Credit
62 Agreement based on Nicor Gas’ long-term senior unsecured debt ratings and long term
63 issuer rating. The facility fees will be based on current market conditions. In addition,
64 Nicor Gas will pay one time fees to each of the two joint lead arrangers of the Credit
65 Agreement and a one time fee to the administrative agent of the Credit Agreement. ABN
66 AMRO Incorporated is one of the two joint lead arrangers. JP Morgan Chase Bank, N.A.
67 is the administrative agent and JP Morgan Securities Inc. is the second joint lead
68 arranger. Each of these fees is consistent with market rates.

69 **Q. What is the term of the Credit Agreement?**

70 A. The Credit Agreement will be effective on or about October 15, 2007. Subject to the
71 terms and conditions set forth therein, the Credit Agreement will have a term of 210 days
72 and will expire on or about May 15, 2008. The credit agreement contains a provision
73 allowing Nicor Gas to request a 210 day extension thereto. The Banks are not obligated
74 to extend the credit agreement and may reject any request for an extension. The Credit
75 Agreement also permits Nicor Gas to request the Banks to increase the aggregate amount
76 of borrowings that can be outstanding at any time up to \$500,000,000. The Banks are not
77 obligated to increase the aggregate amount of borrowings that can be outstanding.

78 **Q. On what basis did Nicor Gas determine that it would enter into the Credit**
79 **Agreement?**

80 A. Nicor Gas has evaluated the relevant terms, conditions and costs of the other credit
81 options available to it and has determined that entry into the Credit Agreement is
82 preferable to the other credit options available to Nicor Gas.

83 **Q. Please elaborate.**

84 A. Nicor Gas intends to utilize this credit facility to satisfy its requirements for a back up
85 line of credit to support its issuance of commercial paper.

86 **Q. Is any party to the Credit Agreement an affiliated interest of Nicor Gas?**

87 A. One of the Banks, ABN AMRO Bank N.V. ("ABN AMRO") is an affiliated interest of
88 Nicor Gas. In addition, a subsidiary of ABN AMRO, ABN AMRO Incorporated, is
89 serving as one of the joint lead arrangers of the Credit Agreement. It is possible that,
90 from time to time, Nicor Gas may become affiliated with other Banks through changes in
91 their officers or directors or through changes in the affiliations of their officers or

92 directors. Similarly, there is the possibility that one or more financial institutions may
93 “take over” the commitments of a Bank. Accordingly, it is possible that such other
94 financial institution(s) may become affiliated with Nicor Gas.

95 **Q. What is the nature of the affiliation between Nicor Gas and ABN AMRO?**

96 A. In April 2007, Nicor Gas elected Norman R. Bobins to its Board of Directors.
97 Mr. Bobins is a Senior Executive Vice President of ABN AMRO. As such, ABN AMRO
98 qualifies as an affiliated interest of Nicor Gas pursuant to Section 7-101(2)(ii)(f) solely
99 because Mr. Bobins serves as an executive officer of ABN AMRO and as a director of
100 Nicor Gas.

101 **Q. Did or will any affiliation have an effect on Nicor Gas’ action relating to entry into**
102 **the transactions described in the Verified Petition?**

103 A. No. ABN AMRO has been a lead bank under Nicor Gas credit facilities for a number of
104 years and ABN AMRO Incorporated has also been a joint lead arranger for Nicor Gas
105 credit facilities in the past. The new affiliated relationship between Nicor Gas and ABN
106 AMRO has had no effect on Nicor Gas’ evaluation of the Credit Agreement or on the
107 participation of ABN AMRO or ABN AMRO Incorporated in the Credit Agreement.

108 **Q. Do you believe that the consent sought in these proceedings will be in the best**
109 **interest of the public?**

110 A. Yes. Nicor Gas represents that, in its judgment, the consent to carry out the transactions
111 described in the Verified Petition and in my testimony will result in an economical source
112 of revolving credit that Nicor Gas needs to ensure that it can continue to conduct business
113 and meet its obligations as a public utility, will be in the public interest and the public
114 will be inconvenienced thereby. In particular, the availability of revolving credit under the

Credit Agreement is required by commercial paper dealers to support issuance by Nicor Gas of its commercial paper. While Nicor Gas does not expect to draw on the credit facility, it expects to issue commercial paper to meet its seasonal borrowing needs and the revolving credit available under the Credit Agreement is necessary to support for Nicor Gas' commercial paper program.

Q. Are you sponsoring any exhibits?

A. Yes. Attached as Exhibit 1.1 is a copy of the current draft of the Credit Agreement. Final rates may be adjusted to reflect market conditions as of the time of closing and the composition of the Bank syndicate and commitment amounts of individual Banks may change somewhat. However, the terms of the final Credit Agreement are otherwise expected to be substantially as set forth in the draft attached as Exhibit 1.1 and is provided in both Confidential and Privileged and Public versions

Q. Does this conclude your testimony?

A. Yes, it does.

Nicor Gas Exhibit 1.1
Confidential and Privileged
[Attach draft of Credit Agreement]